
2016
ANNUAL REPORT
collect experiences, not things
YQR
REGINA
INTERNATIONAL
TM

VISION

To be Saskatchewan's leading travel gateway and business hub.

MISSION

To seamlessly connect people and business to a world of experiences and opportunities.

STRATEGIC GOALS

1. Exceptional Customer Service Experience
2. Grow our Business
3. Operational Excellence
4. Sustained Financial Strength
5. Exceptional People doing an Exceptional Job Every Day

TRAVEL GIVES US A SENSE OF ACCOMPLISHMENT

A sense of accomplishment...it is one of the most important ingredients in the formula for happiness. It builds confidence and allows us to go on to other, greater tasks. It promotes a sense of self-worth and purpose.

collect experiences, not things

MESSAGE FROM THE CHAIR

As anticipated, 2016 was another year of challenge for the Regina International Airport, as the prairie region struggled against a sluggish economy, navigating our way across the lower levels of a natural resource commodity cycle.

Of course those head winds and their impact on the Canadian dollar can and do have adverse effects on business and personal travel, as well as the services offered by airlines in terms of frequencies and destinations. Nonetheless, the modern and increasingly diverse Saskatchewan economy continued to show great depth and resilience throughout the year.

Anchored by a robust agriculture sector and a growing small business community, individual and business travelers across southern Saskatchewan showed great confidence in our future, as evidenced by a modest year over year increase. In 2016, the Regina International Airport reached its highest level of total passenger volume in our history.

A few other hopeful signs of an improving Saskatchewan economy were beginning to appear by year-end, and thus we enter 2017 with a renewed sense of optimism. Our management team, led by CEO Dick Graham, continues a relentless approach to improving and expanding southern Saskatchewan's air services, through personal meetings and constant communication with existing carriers, as well as by reaching out to others with innovative business ideas and opportunities that we feel our region has to offer. The new Regina-Orlando weekly service is an example of this kind of effort, but there are many other possibilities and opportunities lying ahead. An improving local economy and a strengthening Canadian dollar would go a long way towards enhanced YQR air services, domestic and transborder.

In the meantime, our management team at the Regina Airport Authority is committed to providing superior and constantly improving levels of customer safety, comfort and convenience, both outside and inside the terminal building. This remains part of our overarching mission, "to seamlessly connect people and business to a world of experiences and opportunities".

Our customers have noticed and reacted positively to many obvious capital improvements to the airport terminal and grounds over the past several years. Many others have been less visible but vitally important to airport efficiencies or customer safety and security.

In 2017, the Taxiway C relocation project will be completed, paving the way for future expansion of the terminal building. This project also opens up exciting new opportunities for commercial development, important in helping to diversify revenue streams and keep airline fees down, in what has become a very competitive industry. For the first time in decades, an inventory of airside and groundside lots is coming available at YQR for established businesses and entrepreneurs with aviation and/or office needs.

Again this year, I would like to thank and congratulate all of our employees on another successful year by every measure. It is clear that the Regina Airport Authority team of employees is indeed made up of "exceptional people doing an exceptional job every day".

I would also like to thank and congratulate the RAA Board of Directors for the dedication and effort that each has shown over the past year, and for their continued understanding and support of my role as Board Chair, and extended duties as a Chair of the Council of Chairs within our national organization, the Canadian Airports Council and Airports Council International – North America.

Finally, I would like to encourage everyone in southern Saskatchewan to fly YQR. More and more people today, especially those among the younger generations, are discovering that while possessions are fine, it is really one's experiences that make life sweeter. In 2017, experience Canada; experience the world.

Ken Waschuk
Board Chair

MESSAGE FROM THE PRESIDENT & CEO

There is so much going on in our world these days yet it seems so many of us rarely take time to delight in all the world offers. Travel gives us that opportunity. Travel enables us to appreciate the world and everyone in it in new ways. We discover our passions, connect with others, and are reminded of those things we cherish the most. Travel not only helps to make our world much smaller but also much more enriching. That's why at YQR we encourage everyone to "collect experiences, not things".

The YQR team understands that your travel experience begins and ends at the airport and we want it to be great from start to finish. We take our responsibility for the operation of Regina International Airport (YQR) seriously. As we look back on 2016, we see a year of successes in the face of continued economic challenges. Most notably, natural resources pricing increased from year end 2015 yet remained low at year end and our regional economy felt the impact. In addition, the Canadian dollar continued to hover low at year end 2016 eroding consumer buying power out of country. Even with our second straight year of economic challenge YQR continued to grow passenger numbers and serve our customers better than ever before while growing our balance sheet and increasing revenues to fund future growth.

Everyday we see more and more guests on their way out of YQR to collect new experiences around the world or arrive at YQR to experience our great province. Passenger numbers modestly grew to a record 1.263 million built primarily on growth in domestic travel in Canada. In fact, domestic travel growth more than offset the mid year loss of direct US transborder service. To address this loss we worked very diligently with our airline partners to ensure added frequencies and larger airplanes were available to those traveling to and from YQR to Canadian connecting airports. But we didn't stop there. We also overhauled our airline marketing approach to include partnerships with destination airports to create both an airline incentive "push" and incentive "pull" from our airport to theirs. These changes resulted in Saskatchewan's first and only direct non-stop Regina-Orlando flight, new international seasonal destinations, and the introduction of Regina's first Ultra Low Cost Carrier (ULCC) service. Regina now offers non-stop connectivity to 7 domestic, 3 transborder and 13 international sun destinations in addition to one-stop connectivity to over 250 destinations worldwide.

Our focus on you, our customer, has never been clearer to the YQR team. Our in airport service quality index surveys scores have increased significantly from previous years. We did this by putting our focus on your experience in the air terminal and on the facilities that support airline operations. Much of the capital expenditures we've advanced in 2016 was 'behind the scenes' to our passengers but, I assure you, each investment makes a significant difference to the travel experience. Our total investment at YQR since we incorporated in 1999 now totals in excess of $170 million with over $70 million spent in the last two years alone. Each investment focuses on serving airline and passenger needs while growing non-aeronautical revenue that serves to reduce costs to travelers and airlines.

Our vision to be "Saskatchewan's leading travel gateway and business hub" focuses our attention to serving our region well. Key to doing so requires that we ensure we have exceptional people doing an exceptional job every day as we deliver exceptional customer service, operate with excellence, maintain our financial strength all while growing our business. We know the region's economic success is, in part, driven from our success even during difficult economic times. That's why as Saskatchewan's gateway airport, YQR, is now a partner in all of the communities it serves. You see it in our expanded community relations programs and in the manner we engage with communities across Saskatchewan.

These achievements, and the others outlined in this annual report, are the result of many great people with a deep seated dedication to Saskatchewan. The commitment and passion of hundreds that serve the airport and over 1000 who work at YQR made all of this possible. We could not have risen to the challenges of 2016 without a strong YQR team.

We're excited to serve you as you "collect experiences" and explore opportunities. As we look to 2017 we remain truly delighted to serve you and committed to help you collect experiences around the world and share the Saskatchewan experience with others. Enjoy!

Richmond Graham
President & CEO

collect experiences, not things

In a world full of gadgets, advertisements, and marketing campaigns, it's hard not to get drawn into having the next best thing. However, in today's challenging economy, we understand that people need to make conscious decisions on when, and how to spend their money. Science has shown that there is a direct correlation between travel and people's happiness. Spending money on experiences is more likely to bring a person lasting happiness as opposed to spending money on material objects. The reason being is that people "adapt" to physical objects – meaning the things you've bought will bring decreasing amounts of happiness as time goes on and you get used to having them around – whereas your travel experiences will be looked back upon with joy that only increases.

Quite simply, by collecting experiences rather than things, people have the ability to increase their overall level of happiness[1]. So go ahead, take a trip to visit your family, or fly off somewhere you have always wanted to see.

[1](2014) Cornell University Study on Happiness

AIR SERVICES

We are proud to have a team of people that work diligently each and every day to attract and maintain air services for the Regina International Airport. With an average of 25 flights a day, passengers have an array of flights times and carriers to choose from to help them begin collecting experiences.

In 2016, we were proud to work with seven (7) airline partners including the addition of a new Ultra Low-Cost Carrier (NewLeaf Travel Company). We did encounter an upset mid-year when Delta Air Lines decided to redeploy their aircraft for a different route and suspended our direct flight to Minneapolis. This loss was felt within our community. We have maintained constant communications to promote additional US transborder flights. We are confident that as our economy and the CAD/US exchange rate strengthens and as southern Saskatchewan becomes a destination of choice for all those that love what we have to offer, our direct US attractiveness will be noticed by many airlines. However, we're not simply waiting idly by. We're building routes to Saskatchewan's top US and international destinations. In addition to Saskatchewan's first and only direct non-stop flight to Orlando (operated by WestJet), we are now able to offer direct flights to our top three US transborder destinations: Las Vegas, Phoenix, and Orlando.

Internationally, we were able to increase our seasonal sun destinations and offer direct or one-stop flights to a dozen hot spots, including our newest route to Manzanillo, Mexico.

where will your next adventure take you?

PASSENGER EXPERIENCE

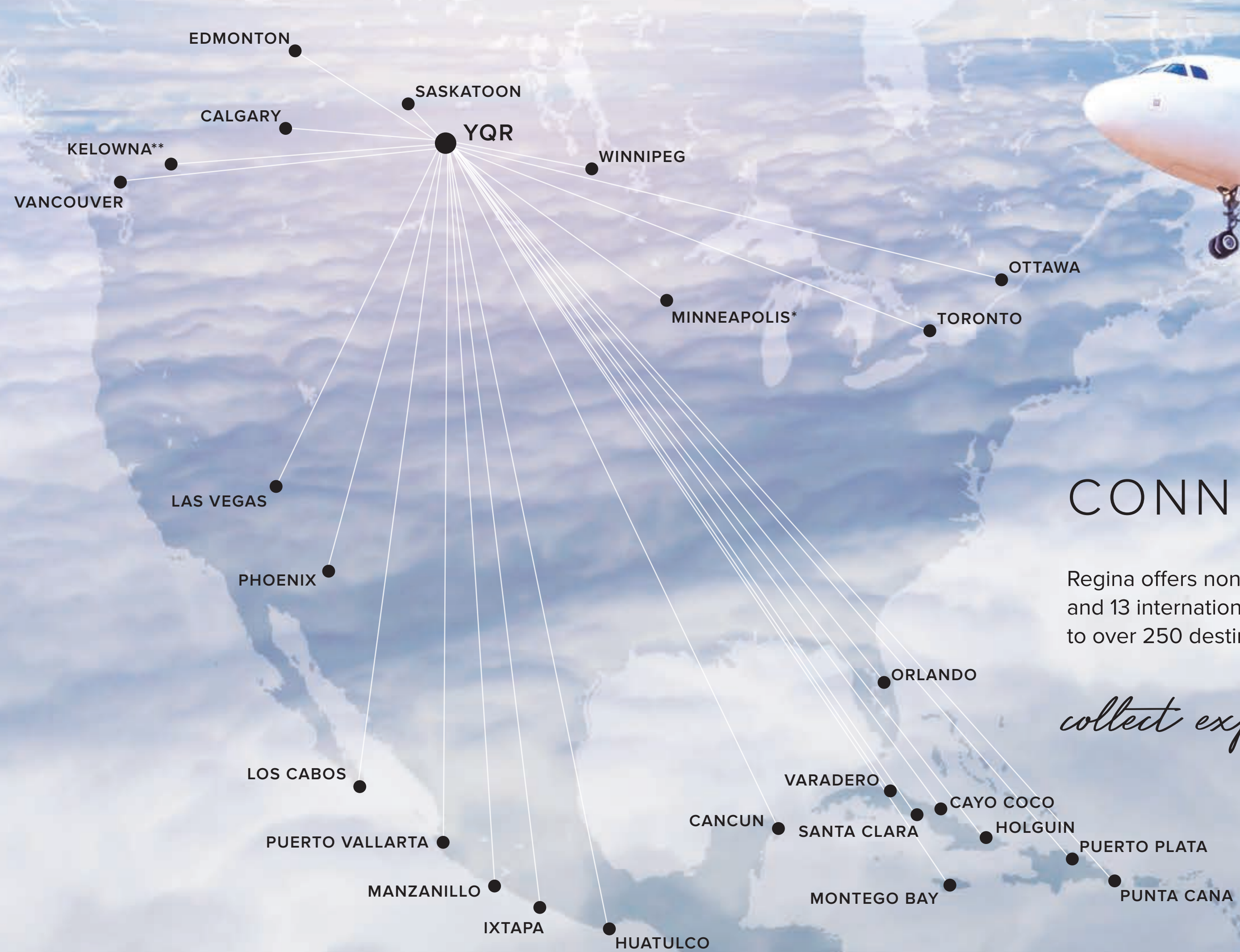
Your experience as a passenger is priority for our airport and plays a key role in our strategy and execution of capital and operational plans and programs. It is reflected in our strategic goal "Exceptional Customer Service Experience". The Airport Service Quality (ASQ) program, led by the Airports Council International, measures us against participating airports in Canada and around the world in nine (9) different categories including amenities, ambience, personal interactions, and overall experience just to name a few.

We measure service quality quarterly and use the information to better inform our business decisions. Although ASQ is only one of the many ways we reach out to passengers to obtain feedback, it is one of the most consistent measures available to us. In 2016, we reached our strategic target of a 4.2/5 ASQ rating, and attribute our success to ensuring that our resources were focused on key priority areas.

Our airport embraces the variety of different cultures that visit us regularly and we recognize that not all our passengers speak or understand Canada's official languages. This can make simple tasks like checking in for a flight feel overwhelming to some of our passengers. This is why, last year we worked to update a list of staff and personnel within the airport that speak foreign languages including Tagalog, Spanish, Russian, German, Danish and Hebrew. This in conjunction with our interpretation service program ensures we are able to assist our passengers and our guests from around the globe - anytime day or night.

Finally, we ramped up our efforts pertaining to our onsite volunteer program and smashed the previous year's program by tripling the hours when volunteers were available onsite. Together, the foreign language list, interpretation service program and our volunteer program offer our passengers a little extra assistance if and when required in an effort to improve each passengers' experience at our airport.

OUR ROUTES



CONNECTIVITY

Regina offers non-stop connectivity to 7 domestic, 3 transborder and 13 international sun destinations and one-stop connectivity to over 250 destinations worldwide.

collect experiences, not things

*ENDED JULY 31, 2016
**ENDED OCT 2, 2016

WITHIN THE COMMUNITY

You're the reason why we take our community responsibilities so seriously–because the choices we make every day have an impact on each and every passenger, employee and neighbour of the Regina International Airport.

We constantly ask ourselves what the implications of our operations are, how we can do better and in what ways our community will benefit. It's the reason we diligently monitor our survey results, social media threads and work so persistently on engaging with our community through various venues.

It is also why we're growing our Community Relations program. 2016 was a banner year for us in terms of stakeholder engagement. We increased our community outreach, events and exposure within the community by 30% over 2015 and expanded our reach to additional communities in Saskatchewan who are directly supported by our services.

During 2016, we supported a variety of local artists and schools throughout the year by hosting them at our airport. This included a flash mob for Halloween, as well as a variety of performances throughout the winter holidays. The performances are always a hit with our passengers, staff, and tenants, and showcases the tremendous talent that exists within Saskatchewan.

We significantly enhanced our social media efforts and introduced YQR's new twitter handle (@flyYQR) last February. This is all done in an effort to reach out to our passengers and to listen to what they have to say. We believe that by understanding more about our business, you can help us be a better neighbour. It's just one more step we are taking to ensure you're happy.

TRAVEL HELPS US LEARN ABOUT OURSELVES

Everywhere we look we have advertisements showing us what is new, trendy and acceptable. Often we will look for advice from others to show us ways to fit in, but when we travel, we have the ability to remove outside influences and discover our own passions and purpose.

collect experiences, not things

SAFETY & SECURITY

Safety and security are at the forefront of all that we do. At the Regina International Airport, the safety of our guests and employees, community and country is at the core of every decision we make. With over 150 people within the airport dedicated to safety and security, we believe when it comes to air travel, we can never be too safe or too secure.

We work collaboratively with various levels of law enforcement. In 2016, our airport supported the RCMP, Regina Police Services (RPS), and municipal police services, by enabling them to conduct off leash canine training at the airport. Having this training completed directly within the air terminal building allows canines and their handlers to undergo a variety of training scenarios specific to aviation security including tracking, criminal apprehension, detention, and article evidence searches.

To go one step further, all airport personnel, regardless of title or position, are required to complete safety and security training. We plan for the worst so we are prepared for any scenario or situation.

PEOPLE

We know how important the YQR team is to our daily operations. Exceptional people are one of the key reasons that we are able to accomplish so much year after year. Operating 24 hours a day, 7 days a week, 365 days a year, our team works persistently day after day ensuring that the airport runs smoothly and efficiently.

In 2016, we set new groundwork to empower our employees and are striving towards reaching our new strategic goal of having "Exceptional People to do an Exceptional Job Every Day" and also towards ensuring that all staff, airport personnel, and tenants, are actively engaged with the success of our airport.

TRAVEL CONNECTS US TO OTHER PEOPLE

There is more to travel than just visiting new places. Experiencing different cultures and meeting new people has the power to break down walls between humankind and connect people together.

collect experiences, not things

AIRPORT ENHANCEMENTS

working to enhance your travel experience

We know that once our passengers decide to travel, they want a seamless and hassle-free airport experience to both start and end their travels. We take pride in working to ensure that the infrastructure and technology are in place to provide you the best services possible.

Together, our team works towards obtaining "Operational Excellence" by ensuring projects are completed on time, on budget and with minimal impact to daily activities and to our passengers.

Hold Baggage Screening (HBS) Expansion

This year we completed upgrades to our baggage handling systems and baggage screening equipment which increased our capacity by 167% without inconvenience to our passengers or air carriers. The new system provides fast, efficient baggage screening which ultimately means faster turnaround times for the airlines and fewer delays due to baggage.

Passengers can now see luggage on the HBS conveyors, through windows from the second floor holdroom after they have cleared security, as they walk to and from aircraft gates.

The new HBS facilities featuring state-of-the-art baggage screening technologies were operational for the increased passenger traffic that was anticipated with the additional international sun destination flights, during the fall and winter months from Regina International Airport.

Apron 1 Expansion & Taxi Charlie

Our largest project of 2016 included significant enhancements to the airside portion of the airport. To better service our air carriers, and promote future growth, we needed to ensure that we had sufficient aircraft parking, also known as aprons. These aprons are where aircraft can park, unload, load, or be refuelled.

The project required approximately 90,000 m^3 of topsoil and fill materials and just over 10 acres of land to be paved. The results provide additional parking spaces for commercial aircraft, plus new access to approximately 12 acres of airside and groundside commercial lots. These new lots facilitate development and growth of our airport by providing commercial space to companies and individuals that can benefit from the close proximity to the taxiways and aprons. This could include companies that provide aircraft maintenance & assembly services, general aviation services, industrial services, corporate aircraft operations and even those that just want office space with a spectacular airside view.

The project is approximately 90% complete with some ancillary work to be done in early 2017.

Multi-Tenant Facility (MTF): Airside

With a rising demand for commercial space at the airport with airside access, we erected a multi-tenant building (located immediately south of the Air Terminal Building) for our operators that support daily airside operations. Its close proximity to the apron allows for a faster response time. Simply put, baggage-handlers, caterers, and other people that need to quickly access the aircraft to prep it for its next flight now have the ability to do so, which in turn increases the airline's ability to maintain on-time performance. In short, it means less delays for our passengers.

This building exemplifies our transition towards common-use facilities and boasts common equipment parking areas, a common lavatory dumping station, and a common-use vehicle wash facility. These elements reduce overall operational costs and provides our tenants with a facility that promotes operational efficiency.

The building became operational in 2016 and is fully occupied.

Non-Passenger Screening Vehicles (NPS-V)

Access to YQR's airside operations is strictly enforced by us (the Authority) to ensure passenger safety. We work cooperatively with Canadian Air Transport Security Authority (CATSA) who are regulated by the Federal government to conduct screening of non-passengers accessing restricted areas at all major Canadian airports.

Passengers are exposed to screening when they go through security and gain access to what we refer to as our 'hold room' area. However, at times, vehicles also require access to secure areas in order to support operations (ex. caterers, maintenance personnel, baggage handlers and other airport staff). To address this demand, we constructed a building specifically designed to screen vehicles that require airside access. All vehicles are now thoroughly screened, which provides a higher level of safety and security for all our passengers.

This project is fully complete and became operational in May of 2016.

Environmental Factor

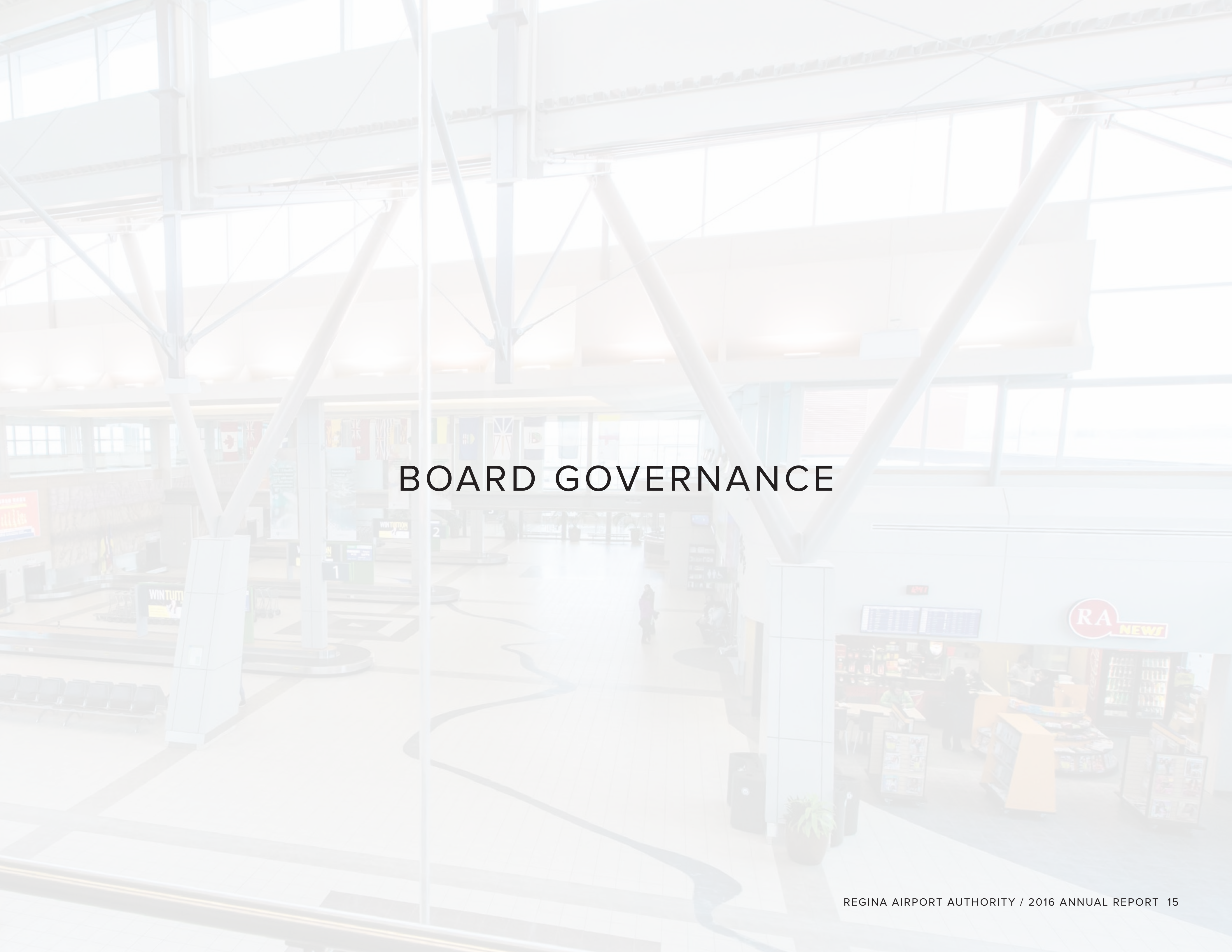
We are committed to incorporating principles and policies that protect and enhance our community, and with consideration to the global environment. We employ practices that reduce our negative impact on the earth and actively solicit suppliers whose goods and services are environmentally responsible.

We take an active role to make this planet we call home a little greener, healthier and better to live in.

TRAVEL REMINDS US OF THE IMPORTANT THINGS IN LIFE.

The more we see of the world, the more we may realize how great life really is. Travelling can reduce the stresses and strains of our sometimes hectic lives and allow us time to unwind and enjoy ourselves. It can also fill us with gratitude and appreciation for all the beautiful moments we enjoy and for the people we share them with.

collect experiences, not things



BOARD GOVERNANCE

OUR GOVERNANCE APPROACH

The strengths of our governance start at the top, with an independent Chair leading a Board composed of independent, well-informed directors, who give priority to strategic planning, ensure that standards exist to promote ethical behaviour throughout the organization, and seek continuous improvement in governance practices.

These strengths are fostered throughout the organization by a proactive governance culture that adopts industry-leading standards.

Board of Directors

Regina Airport Authority Inc. is governed by a Board of Directors consisting of eleven to thirteen prominent men and women from southern Saskatchewan. The Board currently has twelve (12) Directors who are expected to act with honesty, integrity and impartiality, adhering to the policy and procedures set out through the RAA's Governance Manual.

The Authority has six nominating entities, including itself, that strive to ensure a balanced composition of skills and knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour relations, risk, strategy, and the interests of consumers.

A Director may serve no more than a total of nine (9) consecutive years on the Board.

Mandate

- The primary responsibility of the Board is to foster the long term success of the Authority, consistent with its responsibilities to the communities it serves.
- The Board functions as the steward of the Authority and has statutory authority and the legal obligation to oversee the affairs and business of the Authority.
- The Board is legally obligated to fulfill its fiduciary duty and act:
    - Honestly and in good faith;
    - In the best interests of the Authority; and
    - With the care, diligence, and skill of a reasonably prudent person.
- The Board provides strategic direction and oversight, and delegates operating authority to the President & CEO.
- The Board ensures that the Authority operates at all times to the highest ethical and moral standards and within all applicable laws and regulations.
- The Board ensures that corporate documents and records are properly prepared, approved and maintained.
- The Board develops and approves the Authority's approach to corporate governance.
- The Board sets the tone and direction of the Authority.

Mandatory Standards

The governance model for airport authorities in Canada provides for local control of not-for-profit corporations without share capital, accountable to the public and the community, which are expected to operate in a business-like manner. Many provisions for governance policies and practices are set out in the Letters Patent and Bylaws of the Regina Airport Authority and reflect requirements prescribed in the Canada Corporations Act, the Public Accountability Principles for Canadian Airport Authorities and the Authority's Ground Lease. These requirements can be summarized in the following areas:

- size and composition of the Board; requirements and process for appointments and their revocation;
- code of conduct and conflict of interest guidelines;
- accountability to the local community;
- transparency through public reporting and stakeholder communications;
- certain meeting procedures;
- basic responsibilities of the Board, Committees and Officers; and
- creation of Nominating and Community Consultative Committees.

Voluntary Adoption of Best Practices

While working within these parameters, the Authority has also chosen to adopt the Canadian Securities Administrators' National Policy 58-201 (2005) "Corporate Governance Guidelines" in the formulation of its policies and practices. The Authority has committed to reflecting these principles in its framework, policies and practices, with some modifications particular to the Authority.

Nomination Process and Independence of Directors

Nomination and Appointment of Directors

The Director Selection Process, which is a component of the Director Development Program, provides for a strategic, disciplined and transparent process to bring the skill sets and competencies required on the Board. The process consists of:

1. A Gap Analysis which is conducted by the Governance and Nominating Committee to identify anticipated gaps in the skill sets and competencies set out in the skills matrix maintained by the Board.
2. Communication of selection criteria to the Nominator for the Nominator's consideration in designating candidates.
3. A meeting of the Governance and Nominating Committee Chair and Board Chair with the prospective candidates to communicate the skill set and competencies required, expectations of time commitments and application of Conflicts of Interest rules. Meeting with the Board Chair and other Directors may also be arranged to ensure there is a cultural fit; and
4. Communication with the Nominator as to the suitability of candidates interviewed. Selected candidates are independent of their nominators once they are officially appointed as a Director by the Members.

Independence of Directors

All of Regina Airport Authority's Directors are independent.

Independence of the Board Chair

The Board Chair is an independent Director. The Board Chair's roles and responsibilities are described within the Board Chair's position description.

Code of Conduct & Conflict of Interest

The Authority is committed to living its values and to acting within the highest ethical standards, holding the Authority and its Directors, Executive Officers, managers and employees accountable to uphold these standards. The Authority firmly believes that everyone dealing with the corporation has the right to be dealt with honestly, ethically and with respect.

The Code of Conduct is derived from the organization's values; its purpose is to help everyone understand how those values are applied in the day to day work environment to guide behaviour and decision making.

The Conflict of Interest Policy was implemented to highlight the legal obligations of Directors and Officers. Directors, Officers, and Proposed Directors and Officers are obligated to disclose any existing conflicts of interest or potential conflicts of interest that may arise in the business of the Authority and its Board.

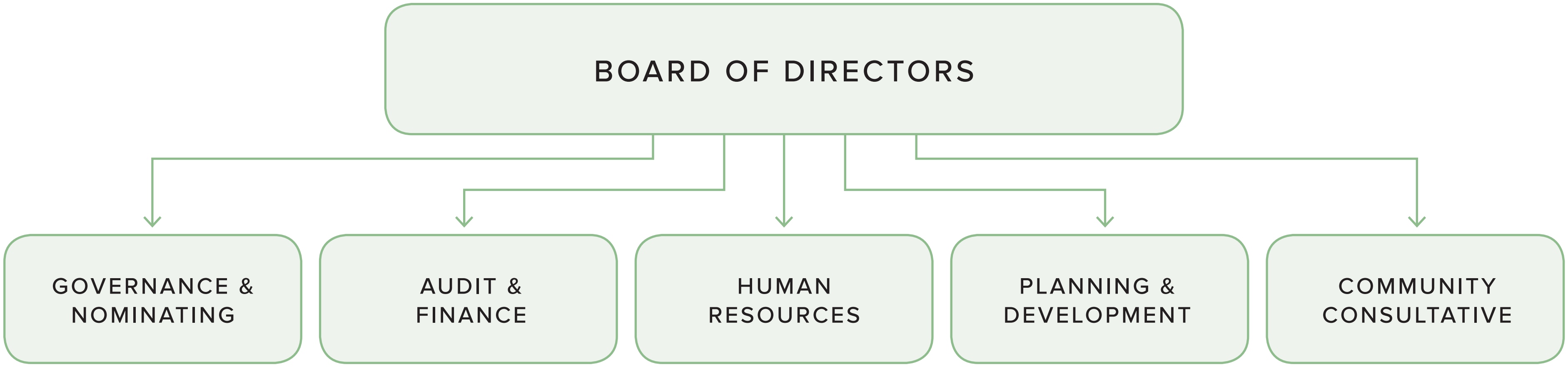
All Directors and Officers complete disclosure statements on an annual basis.

2016 Compliance

Director	Code of Conduct	Conflict of Interest
Ken Waschuk	✓	✓
Larry Smart*	✓	✓
Paul Bourassa	✓	✓
Glenda Boynton	✓	✓
Donna Dowler	✓	✓
Trent Fraser	✓	✓
Kellie Garrett+	✓	✓
Darlene Hincks	✓	✓
Jim Kilkenny	✓	✓
Trish Martynook	✓	✓
Sean McEachern	✓	✓
Alex Taylor	✓	✓
Robert Vanderhooft+	✓	✓

Officer	Code of Conduct	Conflict of Interest
Richmond Graham	✓	✓
Steve Burchi	✓	✓
Derrick Thue	✓	✓

+ Term started during 2016 * Term ended during 2016



Governance & Nominating Committee

Trent Fraser (Chair)
Trish Martynook
Ken Waschuk

Audit & Finance Committee

Sean McEachern (Chair)
Glenda Boynton
Donna Dowler
Ken Waschuk

Human Resources Committee

Darlene Hincks (Chair)
Kellie Garrett
Alex Taylor
Ken Waschuk

Planning & Development Committee

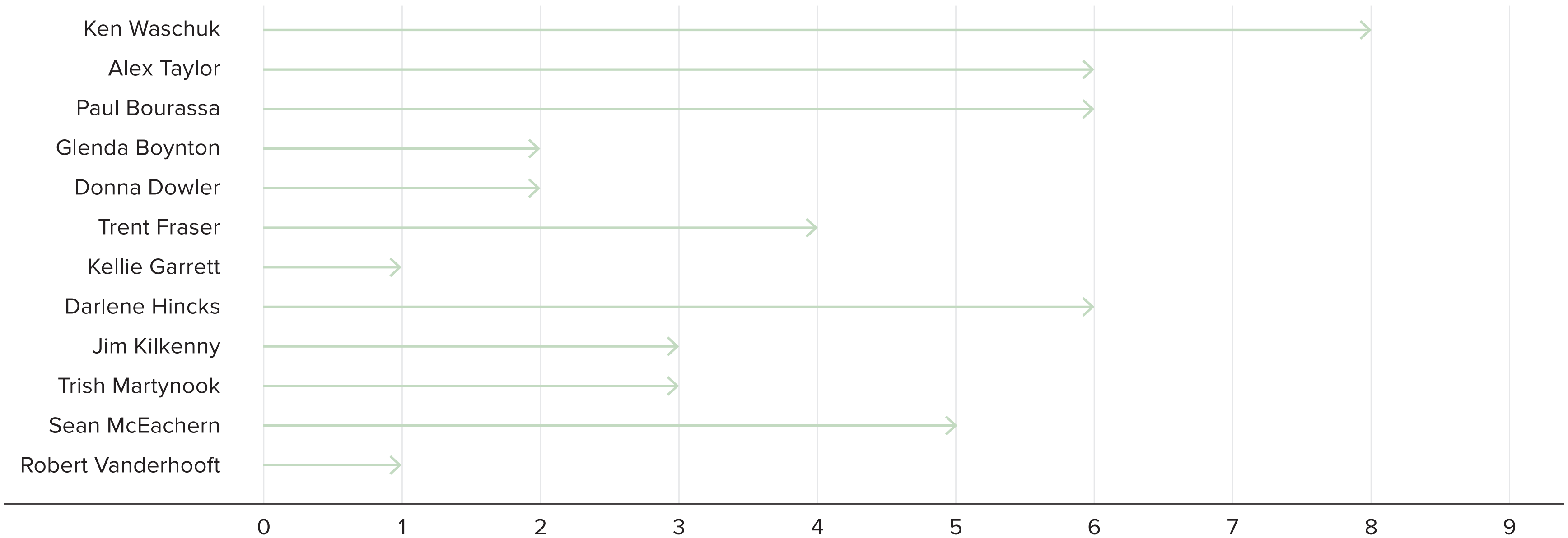
Paul Bourassa (Chair)
Jim Kilkenny
Robert Vanderhooft
Ken Waschuk

Community Consultative Committee

Alex Taylor (Chair)
Trish Martynook

BOARD GOVERNANCE (CONTINUED)

Tenure of Directors (in Years)



* A Director may serve no more than a total of nine (9) consecutive years on the Board.

Compensation Framework

Board Chair Annual Retainer	Committee Chair Annual Retainer	Individual Director Annual Retainer
$20,000.00	$12,250.00	$10,000.00

Remuneration (2016)

Directors Compensation

The annual compensation of the Board of Directors, consisting of honorariums and per diems for the year ending Dec 31, 2016 was $206,300.00.

Director Attendance

The Authority's Directors strive to attend all Board meetings and meetings of Committees of which they are members. In 2016, the Authority's overall attendance rate was 98.87%, a small increase over 2015's results. The Board encourages participation by all Directors, and has an open invitation policy which issues a standing invitation to attend all committee meetings to its Directors. This provides an opportunity for all Directors to increase their comfort level, knowledge, engagement and participation on Board committees. Scheduled meetings in which a Director's attendance is optional are not calculated into the overall attendance results.

2016 Attendance (Board & Committee Meetings)

Director	Meetings Attended	Meetings Held	Attendance Record
Ken Waschuk	29	29	100.00%
Larry Smart*	6	6	100.00%
Paul Bourassa	12	12	100.00%
Glenda Boynton	14	14	100.00%
Donna Dowler	11	12	91.67%
Trent Fraser	13	13	100.00%
Kellie Garrett+	6	6	100.00%
Darlene Hincks	16	16	100.00%
Jim Kilkenny	13	13	100.00%
Trish Martynook	18	18	100.00%
Sean McEachern	13	14	92.86%
Alex Taylor	18	18	100.00%
Robert Vanderhooft+	6	6	100.00%
Total	175	177	98.87%

+ Term started during 2016 * Term ended during 2016

NOTE: Meetings where Board attendance was optional are not included

2016 Board Highlights

Corporate Risk Assessment

Risk takes different forms given the complexity and breadth of the Authority's operations and can include operational, financial, governance, health and safety, environmental, compensation, infrastructure technology (IT), strategic and reputational risk.

In 2016, the Authority implemented a Technology Governance Committee which is responsible for reviewing assessments of potential risks and for providing direction regarding the implementation of systems and practices to effectively mitigate risks in alignment with the Authority's business strategy.

Strategic Plan

Business success does not happen by accident. Successful strategic planning is critical to properly identify the organization's future needs and to then ensure that a proper plan is created. Strategic Planning is a central element of the Board's activities and helps to ensure the long term success of the Authority.

RAA's Board of Directors thoroughly reviewed and discussed the long term Strategic Plan with its Executive team before final approval in the fall of 2016. The Authority's revised plan includes a newly written vision statement, mission statement and five new strategic goals.

2017 Business Plan

With a major overhaul to the Strategic Plan, RAA's Executive team was tasked with drafting the 2017 Business Plan including budget and capital initiatives. The new plan, approved by the Board in December, commits to continuing to strengthen the delivery of services, ensuring financial stability, maximizing the customer experience, and challenging RAA's staff to meet the goal of "Exceptional People doing an Exceptional Job Every Day".

2016 Board of Directors (from left to right)

1. Glenda Boynton, Retired
2. Trent Fraser, President & Chief Executive Officer, Fraser Strategy Inc.
3. Alex Taylor, Retired
4. Sean McEachern, ICD.D; Director Policy and Communications, Saskatchewan Urban Municipalities Association
5. Trish Martynook, Family Court Consultant, Astute Paralegal Services
6. Ken Waschuk, ICD.D; Marketing and Research Consultant
7. Donna Dowler, Consultant
8. Jim Kilkenny, ICD.D; Hospitality Management
9. Darlene Hincks, President, Damara Day Spa Inc.
10. Paul Bourassa, General Counsel & Chief Compliance Officer, Western Surety Company
11. Kellie Garrett, ICD.D; Professional Certified Coach
12. Robert Vanderhooft, Chief Executive Officer & Chief Investment Officer, Greystone Managed Investments Inc.

FINANCIAL REPORTS

MANAGEMENT DISCUSSION & ANALYSIS

Our Management Discussion and Analysis (MD&A) provides details to assist in the interpretation of the operations and financial condition of Regina Airport Authority Inc. (Authority) for the fiscal period ending December 31, 2016. The MD&A should be read in conjunction with the Authority's audited financial statements and note disclosures, which have been prepared in accordance with accounting standards for not-for-profit organizations in Part III of the CPA Handbook – Accounting.

The Authority is a non-share, not-for-profit, locally based entity that manages and operates the Regina International Airport (YQR). Excess revenues over expenditures are applied to managing and operating the Regina International Airport consistent with its mission statement. The Authority, as of December 31, 2016, is into its eighteenth year of operation in its lease arrangement with the Crown. The lease will expire on April 30, 2079.

Passenger Statistics

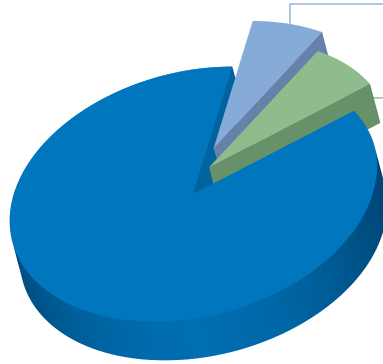
The Authority posted its highest ever recorded passenger count of 1,262,899 despite the current tough economic climate and the unexpected withdrawal of transborder service to Minneapolis. An overall passenger increase of 0.6% in 2016, 6,942 more passengers than last year's total of 1,255,957.

The domestic sector grew by 4.3%, more than offsetting direct transborder losses as customers connected through domestic routes to fly transborder; transborder direct retracted by 26.6%; and international retracted by 7.0% in comparison to 2015 results. The breakdown by passenger segments are illustrated on the chart (right).

The Authority had budgeted a 2016 passenger growth rate of 2.0% (the expected local GDP indicator was 1.2%). However, continued and sustained economic instability carried into 2016 from the previous year and combined with the low value of the Canadian dollar against the US greenback, the GDP growth targets were not achieved.

The Authority has established a 1.8% passenger growth target for 2017; when applied to 2016 actual posted results, we anticipate a 2017 passenger count total of approximately 1,285,000.

Total Passenger Traffic in 2016



Rates and Fees

Although there were no fee increases in 2016, the first seven months of the year brought in new aeronautical revenues based on the earlier announced rate change. With new and improved automation of hold baggage screening systems coming on line, effective January 1, 2017, fees for its operation were increased to the airlines to reflect long term system sustainability.

Additionally, during 2016, the Authority carried out a full rates and fees industry benchmarking review for like-sized airport operators and all airports operating in our region. In 2017 we will complete final reviews, stakeholder consultation and development recommendation for implementation in 2018 that ensure financial and operational sustainability.

Airport Improvement Fees (AIF)

Airport Improvement Fee (AIF) rates are established "as required" to meet the airport capital planning programs to secure and achieve operational excellence for airlines and an exceptional customer service experience for all airport users and travelers. The current rates remain unchanged at $20/enplaned passenger and $5/enplaned passenger for intra-provincial enplanements. As at December 31, 2016, AIF eligible expenditures and interest expense on debt exceed AIF revenues generated by $47,959,000 since its inception (May 1999). These funding shortfalls are backstopped by long-term debt. Over the longer term planning period, loan and interest incurred are repaid from future AIF funds collected. Airports are very capital intensive in nature and revenue streams primarily derived from AIF collections provide the revenue stream required for debt servicing obligations. The current year increase to the deficit is attributed to an aggressive early works program that was substantially completed as required in support of future terminal redevelopment and expansion.

Capital Activity Highlights

2016 Authority capital programming included the following major project highlights on a capital spend of $29,543,000:

Eligible AIF Funded Activities: - $27,100,000

- $13,871,000 – Taxi C Relocation/Apron 3 Redevelopment/Apron 1 Expansion
- $7,821,000 – Hold Baggage Screening Upgrade
- $3,615,000 – Multi-Tenant Facility - Airside Construction
- $1,042,000 – Non-Passenger Screening Vehicles (NPS-V) Facility Construction
- $142,000 – Voice Over Internet Common Use and Office Implementation
- $44,000 – Fleet and Equipment
- $565,000 – Other scheduled upgrades to existing leaseholds and programs

AIF eligible interest expense was incurred during 2016 in the amount of $578,000 ($426,000 – 2015).

Non-eligible AIF Funded Activities: - $2,443,000

- $1,541,000 – Taxi C Relocation/Apron 3 Redevelopment/Commercial Lots
- $902,000 – Multi-Tenant Facility - Airside Construction

Non-AIF eligible interest expense was incurred during 2016 in the amount of $383,000 ($377,000 – 2015).

For 2017, the Authority has a much lighter capital program. Activities will be focused on completing the remaining works for Taxi C relocation; installation of a new public address system; updates to the Airport Master Plan; the initiation of air terminal, roadways and curbside redevelopment and expansion planning; and finally for completing programming identified for maintaining existing airport infrastructure, equipment and fleet.

Liquidity and Capital Resources

The Regina Airport Authority is an Authority without share capital and is self-financing. The Authority is funded through operating revenues, AIF revenues and its bank credit facilities. The Authority completed 2016 operations with a cash balance of $4,560,000, compared to $4,472,000 in 2015.

The Authority's revenues remain stable (earnings before interest, depreciation and amortization - EBIDA), enabling the Authority to meet its debt servicing obligations. The Authority must maintain, at all times, a current service ratio (CSR) of 1.25 to 1 or better. The CSR is EBIDA divided by annual interest payments and current portions of long term debt. The 2016 CSR ratio is 2.68 - 1 (2015 – 4.46 – 1); the Authority remains positioned to meet its debt and interest obligations. The Authority's revolving $55,000,000 capital credit facility has been drawn upon by $41,083,000 as at December 31, 2016; sufficient liquidity remains in support of its ongoing capital commitments and activities. In addition, the Authority carries an operating line of credit facility of $500,000 (undrawn) for day to day operating requirements.

Balance Sheet

Assets of the corporation increased by $22,156,000 (17.4%) to $150,018,000. Investment in capital assets increased $22,040,000 (net of amortization and disposals) reflecting significant capital investment activity in 2016. Receivables remain higher than normal and is primarily related to a government funding reimbursement due in the amount of $2,316,000 from Canadian Air Transport Security Authority (CATSA) for the Hold Baggage Screening Upgrades ($2,154,000 – 2015).

Accounts payable and accrued liabilities decreased $3,704,000 from 2015 reflecting the winding down on the early works program while the current portion on the bank term loans increased by $1,833,000 reflecting the substantial completion of major capital projects for Hold Baggage Screening, Multi-Tenant Facility – Airside, and Taxi C Relocation as these assets were returned to operations during 2016 and repayment on debt are commenced.

Total long term debt of $57,460,000 increased $16,925,000 net of repayments of $2,053,000 and advances of $18,978,000 for the major projects as described above. The pension plan assets exceed liabilities by $1,324,000 (2015 - $1,327,000); the asset has not been recognized as the Authority has no intention of utilizing the net asset position for operations; retirement allowance liabilities decreased by $109,000 as RAA's employees drew down on amounts owing.

The Authority in the previous year applied for and received funding approval from CATSA for capital reimbursement in the amount of $6,839,000 (revised) for the Hold Baggage Screening Recapitalization project. As at December 31, 2016, the Authority had complied with all conditions and received reimbursements in the amount of $4,507,000 to date. The approved reimbursement funding is recognized as a deferred contribution on the Balance Sheet; and is amortized into revenue over the estimated useful life of the asset.

Overall net assets increased $4,264,000 ($5,078,000 during 2015) reflective of excess revenues over expenses.

Statement of Operations

Revenues:

2016 revenues increased $520,000 over 2015. Public parking decreased $475,000 reflective of the weakened economy. Reduction in parking use by out of province workers and increased utilization of the cell phone lot and other modes of ground transportation were observed in 2016. Although transborder services were impacted by the loss of the Minneapolis route, aeronautical revenues grew by $350,000 over 2016 as capacity was added to the domestic segment serving hub airports to Calgary, Vancouver and Toronto offsetting the impact. AIF revenues increased marginally year over year as growth targets of 0.6% were realized and not the planned 2%.

Rental revenues increased $288,000 as the multi-tenant facilities came on line; and additional revenues of $145,000 over 2015 that included $116,000 in realized gains on investment.

Expenses:

2016 expenditures increased $1,335,000 over 2015. Personnel costs increased $258,000 over 2015; costs relate to wages, staff succession and organizational realignment offset by $240,000 in recognized internal capitalization of labour for project management and development. Amortization has increased $1,102,000 as a result of major capital developments being put into service as construction was completed. Interest costs increased by $158,000 associated with interest rate swap agreements fixing interest rate exposure and additional draw downs on capital credit facilities. Actual materials, supplies and general administration costs contributed to the increase to services, supply and administration and were mostly offset with the cancellation of the customer service contract ($140,000 in savings). Operating revenues reductions as discussed earlier were offset by deferral of certain professional services programming in the amount of $306,000 and other discretionary items.

Contracts Not Tendered

All projects with a value in excess of $75,000 (base year 1992=100 CPI annually adjusted) require a public tender or request for proposal process. In 2016 dollars this value approximates $125,000. All projects complied with this requirement for 2016 with no exceptions.

RISKS AND UNCERTAINTIES

Background

World GDP is anticipated to grow 2.9% annually over the next 20 years and during the same period passenger traffic is expected to grow 4.8%; and cargo traffic by 4.2%[2]. As airport operators, our continued focus looking to the future will be the measure of our strategic success. These facts support a fast growing and resilient passenger market despite the tepid GDP growth and with load factors exceeding 80%, utilization remains high. Although economic activity (GDP) is a great indicator of growth, other factors drive air travel growth and include ease of travel and local market factors. GDP factors are easily quantifiable such as national and regional trends, per capita income, population trends and labour force composition while ease of travel is not as easy to quantify. Examples of factors easing the public's ability to travel are the open skies agreement, liberalized domestic market regulation, emerging technology, low cost airlines driving down fees and airline network improvements. Local market factors tend to be more short-term focused and should not be over-valued in establishing strategic priorities given the long-term industry growth dynamics as currently exists within our operating environment at YQR.

With exceptional industry growth, there remains extraordinary demand for people to fly and maintain airplanes. To meet demand it will require solutions focused on educational outreach and career programs that inspire. New training devices, training/development and methods will be needed to meet the wide range of demands.

Major Current and Emerging Industry Risks Include:

- increasing protectionism by US which is in contrast to Canada's pro-trade stance; major changes to trade agreements and increased protectionism potentially pose significant hardship for economic growth within the industry and globally wide;
- advances in automation and digitization combined with forces of globalization are leading to fluid and mobile labour markets where employers skill requirements evolve quickly and workers transition between jobs and industries more often than they did in the past;
- new technologies and competing service models to shifting demographic and customer demands, threatens to disrupt the industry;
- airline agreements on carbon offsets could add $20 billion to global operating costs by 2021;
- actions of regulators are of concern; and in Canada uncertainty of the airport business model for the future could add significant costs and less local control; and
- increased occurrence of security events and security threats from cyber and data privacy breaches and increasing potential of failures of critical technology systems (business continuity concerns).

[2] Boeing - Current Market Outlook 2015-2035

RISKS & UNCERTAINTIES (CONTINUED)

Industry Risks as an Opportunity

The previously observed risks signal the need for change and the need to embrace it. By focusing, clearer views of the vulnerabilities will help in identifying the strategic choices and mitigation strategies and open up opportunities for the competitive advantage. Traditional broad based risk management strategies need to be revisited to be more industry centric, cost effective and targeted.

For a volatile and fast changing environment; robust analytics, modelling, and simulation tools are needed to focus on the high priority key metrics as driven by Senior Executive and the Board. By viewing these emerging challenges through the lens of strategic risk management, a framework that connects risk to core strategic concerns and supports rapid decision making and strategic choices is warranted.

The key is for the organization (YQR) to identify, recognize and interpret indicators and warnings in a way that lets them engage with, manage and shape emerging risks, drivers and opportunities.

In summary, to position YQR for continued growth in a fast paced and volatile environment, a new strategic mindset of being forward looking and anticipating new risks while looking for opportunities is required to be successful. Traditional risk management efforts are highly focused on past compliance (legal and financial reporting) while less time and attention to strategic risks have been provided for; and where better value and impact could be achieved. A shift in approach is required and now underway at YQR.

Disclosure for Lease Obligations

Report on the Business Plan and Objectives for 2016 - shown in (000s)

	Plan	Actual	POS (NEG) Variance
Operating Revenue	17,111	16,338	(773)
Operating Expense	16,199	15,320	879
Net Airport Improvement Fees	11,725	11,312	(413)
Capital Expenditures*	43,790	29,543	(14,247)

* Includes carry over on multi-year projects

Report on the Business Forecast for 2017-2021 - shown in (000s)

	2017	2018	2019	2020	2021
Operating Revenue	17,625	18,083	18,553	19,035	19,531
Operating Expense	16,520	16,950	17,390	17,842	18,306
Capital Expenditures*	14,776	13,181	7,793	31,231	30,070

* Includes carry over on multi-year projects

- Capital Expenses & forecast include both eligible and non-eligible AIF items
- Auditors Report & Financial Statements are found starting on page 31
- Management Discussion & Analysis may be found on page 25

FINANCIAL STATEMENTS

Management Responsibility

The accompanying Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these are set out in Note 3 of the Financial Statements.

Regina Airport Authority Inc. (Authority)'s accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These financial statements include some amounts based upon management's best estimate and judgements. Recognizing that the Authority is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit and Finance Committee consisting of four (4) independent Directors. The Committee meets periodically during the year to review with management and the auditors any significant accounting, internal controls, and auditing matters. They also review and finalise the annual financial statements.

The financial information throughout the text of this annual report is consistent with the information presented in these consolidated financial statements.

On behalf of the Regina Airport Authority Inc.:

"Dick Graham"	"Derrick Thue"
Richmond Graham **President & CEO**	**Derrick Thue** **VP Administration & CFO**

Financial Statements of

REGINA AIRPORT AUTHORITY INC.

Year ended December 31, 2016

KPMG

KPMG LLP
Hill Centre Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of Regina Airport Authority Inc., which comprise the statement of financial position as at December 31, 2016, the statements of operations and net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Regina Airport Authority Inc. as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

February 24, 2017
Regina, Canada

REGINA AIRPORT AUTHORITY INC.

Statement of Financial Position
As at December 31, 2016, with comparative information for 2015

	2016	2015
ASSETS		
Current Assets:		
Cash (note 4)	$ 4,559,604	$ 4,472,267
Accounts receivable and accrued revenue (note 5 and 9)	5,328,460	5,557,651
Prepaid materials and supplies	687,903	594,690
	10,575,967	10,624,608
Investments (note 6)	2,008,428	1,843,577
Capital assets (note 7)	137,433,625	115,393,763
	$ 150,018,020	**$ 127,861,948**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 4,427,701	$ 8,132,243
Deferred revenue	58,608	31,484
Current portion of long-term debt (note 10)	3,784,512	1,951,693
	8,270,821	10,115,420
Long-term debt (note 10)	53,675,366	38,583,645
Tenant security deposits	71,352	64,352
Pension plan liability (note 11)	-	-
Retirement allowance liability (note 12)	56,222	165,078
Deferred contributions (note 13)	6,901,155	2,154,207
	68,974,916	51,082,702
Net assets	81,043,104	76,779,246
	$ 150,018,020	**$ 127,861,948**

Commitments (note 14)

See accompanying notes to financial statements

Approved on behalf of the Board:

"Ken Waschuk"

Ken Waschuk, Chair of Board

"Sean McEachern"

Sean McEachern, Chair of Audit and Finance Committee

REGINA AIRPORT AUTHORITY INC.

Statement of Operations and Net Assets
Year ended December 31, 2016, with comparative information for 2015

		2016		2015
Revenue:				
Airport improvement fees (note 15)	$	12,175,743	$	12,086,890
Public parking		4,443,824		4,919,210
Landing fees		2,905,275		2,758,018
General terminal fees		2,739,235		2,297,688
Concessions		2,443,322		2,406,753
Other airline fees		1,540,885		1,779,359
Rentals		1,291,795		1,003,666
Customer facility charge (note 16)		941,416		926,987
Other		356,371		210,993
Amortization of deferred contributions (Note 13)		72,234		-
		28,910,100		28,389,564
Expenses:				
Amortization		7,502,649		6,400,915
Salaries and benefits		6,223,601		5,965,940
Services, supplies and administration		5,925,742		6,011,141
Property taxes		1,151,872		1,145,367
Utilities		1,009,711		923,562
Ground lease		1,008,422		993,154
Interest (note 18)		960,662		803,391
Airport improvement fee collection costs (note 15)		863,583		856,533
Loss on disposal of capital assets		-		211,421
		24,646,242		23,311,424
Excess of revenue over expenses		4,263,858		5,078,140
Net assets, beginning of year		76,779,246		71,701,106
Net assets, end of year	$	**81,043,104**	$	**76,779,246**

See accompanying notes to financial statements

REGINA AIRPORT AUTHORITY INC.

Statement of Cash Flows
Year ended December 31, 2016, with comparative information for 2015

		2016		2015
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses	$	4,263,858	$	5,078,140
Add (deduct) non-cash items:				
Amortization of capital assets		7,502,649		6,400,915
Amortization of deferred contributions		(72,234)		-
Loss on disposal of capital assets		-		211,421
Unrealized (gain) loss on investments		(6,375)		111,496
Realized (gain) loss on investments		(116,717)		432
		11,571,181		11,802,404
Change in non-cash working capital:				
Accounts receivable and accrued revenue		229,191		(3,008,996)
Prepaid materials and supplies		(93,213)		(126,974)
Accounts payable and accrued liabilities		(3,704,542)		5,981,799
Deferred revenue		27,124		(15,982)
Tenant security deposits		7,000		-
Retirement allowance liability		(108,856)		(659,172)
Deferred contributions		4,819,182		2,154,207
Cash flow from operations		12,747,067		16,127,286
Investing:				
Purchase of capital assets		(29,542,510)		(39,233,201)
Purchase of investments		(1,547,259)		(495,116)
Proceeds on sale and maturity of investments		1,505,499		449,309
Total investing activities		(29,584,270)		(39,279,008)
Financing:				
Advances of long-term debt		18,978,000		22,105,000
Repayments of long term debt		(2,053,460)		(1,606,843)
Total financing activities		16,924,540		20,498,157
Increase (decrease) in cash		87,337		(2,653,565)
Cash, beginning of year		4,472,267		7,125,832
Cash, end of year	$	4,559,604	$	4,472,267

See accompanying notes to financial statements

1. Purpose and description of business:

Regina Airport Authority Inc. (the "Authority") was incorporated June 18, 1997 as a corporation without share capital under Part II of the *Canada Corporations Act* (the "Act"). The Authority is exempt from federal and provincial income tax. The Authority has operated Regina International Airport since May 1, 1999, under a lease from the Government of Canada (the "Ground Lease"). The Ground Lease had an initial term of 60 years with an option to extend for 20 years. The option to extend the Ground Lease was exercised in 2014 and, accordingly the Ground Lease will now expire on April 30, 2079. The parties agreed that the extension is on the same conditions as the initial Ground Lease, except that there is no longer any option to renew the Ground Lease or further extend the term. At the end of the renewal term, the Authority is obligated to return control of the Airport to the Landlord. The Airport must be returned in a state of good order, condition and repair. The Airport must also be free and clear of any Occupancy Agreement, Transfer, Leasehold Mortgage, (as defined in the Ground Lease) or other encumbrances of any nature or kind except those which the Landlord has granted rights of non-disturbance.

Pursuant to the Act, the Authority shall operate as a not-for-profit corporation and as such, the Authority reinvests all excess of revenue over expenses in the capital renovation and expansion requirements of the airport for which it is responsible. In addition to the investment of the excess of revenue over expenses, the Authority is authorized to borrow to invest in the airport infrastructure, and current borrowings are detailed in Note 10. Capital requirements are generally determined on an annual basis in conjunction with the Authority's business planning cycle, although longer term projects may involve financial commitments that extend beyond one year. The Authority annually re-evaluates its economic condition and facility demands in setting its objectives.

The mandate of the Authority is to manage and operate the airport in a safe, secure, efficient and commercially viable and environmentally responsible manner in its objective to advance economic and community development by means that include promoting and encouraging improved airline transportation for the general benefit of the public in its region.

2. Basis of preparation:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook-Accounting.

REGINA AIRPORT AUTHORITY INC.
Notes to the Financial Statements
Year ended December 31, 2016

3. Significant accounting policies:

The following accounting policies are considered significant:

a) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Acquisition costs include the purchase price, installation, design and engineering fees, legal fees, survey costs, site preparation, transportation, direct labour, insurance and duties required to bring the asset to a working condition for its intended use.

Interest on debt directly attributable to finance the construction of capital assets is capitalized and included in the cost of capital assets. Capitalization of interest ceases when the asset is substantially complete and available for use.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Years
Leased land	48-65
Office furniture and equipment	3-10
Computer equipment	3- 5
Vehicles and equipment	3-15
Leasehold improvements	1-40
Work in progress	not amortized, as not available for use

The various components of the air terminal building, other building structures, roadways and airfield surfaces, included in leasehold improvements, are amortized on a straight-line basis over their estimated economic life of the component asset, limited to the term of the Ground Lease. These assets revert back to the Government of Canada upon expiry of the Ground Lease.

The Authority has previously purchased Land for operational purposes and future development. The Ground Lease requires that at commencement of development the applicable Land be transferred to the Government of Canada at which time the Authority reclassifies Land to Lease Land and commences amortization on a straight-line basis over the remaining full fiscal years of the Ground Lease.

Capital projects uncompleted at year end are capitalized to work in progress at cost. Costs are transferred to the appropriate capital asset class and amortization commences when the project is completed and the assets become operational.

3. Significant accounting policies (continued):

b) *Impairment of long-lived assets*

The Authority uses a two-step process for determining whether an impairment of long-lived assets should be recognized in the financial statements. If events or changes in circumstances indicate that the carrying value of the long lived asset may have been impaired, a recoverability analysis is performed on the estimated undiscounted cash flows to be generated from the asset's operations and its projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the long lived asset is written down to its estimated fair value and an impairment loss is recognized in the statement of operations. If circumstances change impairment loss may be adjusted reflecting a partial or full reversal.

c) *Employee future benefits*

(i) Pension plan

The Authority has a retirement pension plan (the "Plan") for all permanent and term employees. The plan provided employees with an option to elect to continue as defined benefit members or elect to become defined contribution members at the time of transfer (May 1, 1999) to the Authority from the Government of Canada. The defined benefit membership is limited to those that continued on as defined benefit members with all new employees since transfer classified as defined contribution members. The Authority does not provide any non-pension post-retirement benefits.

The Authority accrues its obligation under the pension plan as the employees render their services necessary to earn the pension benefits. For the defined benefit plan, the fair value of pension assets are used for the purpose of calculating the expected return on plan assets. Pension obligation is determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions. The cost of the defined contribution component of the plan is recognized based on the contributions required to be made during each period. Actuarial gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. Actuarial gains and losses are immediately recognized in net assets.

(ii) Retirement allowance

The Authority had a retirement allowance program for all permanent employees. Benefits are calculated on the basis of current salary at one week per year of service or part thereof to a maximum of thirty weeks. As per the collective agreement negotiated in 2014, the Authority discontinued the accumulation of service time for the retirement allowance as at December 31, 2014. The full retirement allowance provision based on December 31, 2014 rates of pay have been accrued. Retirement allowances must be fully drawn upon by employees no later than December 31, 2018.

REGINA AIRPORT AUTHORITY INC.
Notes to the Financial Statements
Year ended December 31, 2016

3. Significant accounting policies (continued):

d) *Financial instruments*

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Authority has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Authority determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Authority expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

The Authority accounts for a qualifying hedge of an interest-bearing liability as follows:

(i) Interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and any transaction costs.

(ii) Net amounts receivable or payable on the interest rate swap are recognized as an adjustment to interest on the hedged item in the period in which they accrue.

e) *Revenue recognition*

Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government re-imbursements of specific operating costs are offset against the costs incurred. Government contribution towards capital assets are deferred and amortized on the same basis as the related capital assets.

3. Significant accounting policies (continued):

e) *Revenue recognition (continued):*

Specifically, revenue is recognized as follows:

- Landing, general terminal and other airline fees are recognized when airport facilities are utilized.
- Public parking and concession revenues are recognized when facilities are utilized. Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum guaranteed amounts over the terms of the respective leases.
- Rental revenues are recognized over the terms of the respective leases at the commencement of each month when rent is due.
- Other income is recognized when earned or received.
- Airport Improvement Fee ("AIF") revenue is recognized when the originating departing passengers board their aircraft as reported by the airlines.
- Customer Facility Charge ("CFC") revenue is recognized based on the transaction day information contained in the rental car agreements as reported by the operators.

Deferred revenue consists primarily of land leasing, space rental, aeronautical fees and concession fees received in advance of land or facilities being utilized.

f) *Use of estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets, and the determination of the pension plan and retirement allowance liabilities. Actual results could differ from those estimates.

4. Cash:

Cash earns interest at an effective rate of 0.95% (2015 – 0.95%).

5. Accounts receivable and accrued revenue:

Accounts receivable and accrued revenue are reported net of any allowance for bad debts that are estimated to occur. The allowance for 2016 is $12,299 (2015 – $3,913). Bad debts expense for 2016 is $12,536 (2015 - $1,034).

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2016

6. Investments:

The carrying value of the Authority's investments is as follows:

	2016	2015
Guaranteed Investment Certificates (GIC's), growth notes and savings account	$ 1,954,370	$ 852,457
Common shares	54,058	991,120
	$ 2,008,428	$ 1,843,577

The fair value of the investment savings account, GIC's, growth notes and savings account approximates cost due to their short-term nature. The fair value of common shares is based on quoted market values.

7. Capital assets:

Capital assets	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Leased land	$ 2,921,090	$ 294,325	$ 2,626,765	$ 2,687,427
Leasehold improvements	147,938,217	43,688,154	104,250,063	78,127,218
Vehicles and equipment	10,449,496	6,383,014	4,066,482	4,558,988
Computer equipment	1,375,336	971,012	404,324	225,557
Office furniture and equipment	254,698	197,613	57,085	53,430
Work in progress	26,028,906	-	26,028,906	29,741,143
	$188,967,743	$ 51,534,118	$137,433,625	$ 115,393,763

8. Operating line of credit:

The Authority has a $500,000 operating line of credit (the "Operating Facility") bearing interest at prime lending rate less 0.50%. The Operating Facility is unsecured and repayment terms are on demand. As at December 31, 2016 and December 31, 2015 no amounts were drawn against this line of credit.

9. Accounts receivable and accrued revenue and accounts payable and accrued liabilities:

Included in accounts receivable and accrued revenue are government remittances receivable for goods and services taxes of $94,641 (2015 - $590,389); and government remittances payable for provincial sales taxes which are included in accounts payable and accrued liabilities of $1,943 (2015 - $6,318).

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2016

10. Long-term debt:

Details of the long-term debt outstanding are described in the following table:

		2016		2015
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly installments of $65,828 plus interest and stamping fee, due September 2031	$	11,651,516	$	-
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $108,034 plus interest and stamping fee, due January 2025		10,479,276		11,775,684
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $25,000 plus interest and stamping fee, due October 2041		7,450,000		-
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $25,794 plus interest and stamping fee, due June 2037		6,345,126		6,654,654
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $16,670 plus interest and stamping fee, due December 2040		4,799,960		5,000,000
Revolving term loan bearing a variable interest rate at prime lending rate less 0.50% per annum, repayable in monthly instalments of $74,050 plus interest from January 2017, due December 2041		16,734,000		17,105,000
		57,459,878		40,535,338
Less: current portion		3,784,512		1,951,693
	$	53,675,366	$	38,583,645

The Authority has a credit facility that provides for an ongoing $55,000,000 (2015 - $40,000,000) commitment to finance construction and acquisition of capital assets. As at December 31, 2016, the Authority has drawn $41,083,000 (2015 - $22,105,000) of which $16,734,000 (2015 - $17,105,000) remains revolving and $24,349,000 (2015 - $5,000,000) has been converted to a non-revolving term loan.

REGINA AIRPORT AUTHORITY INC.
Notes to the Financial Statements
Year ended December 31, 2016

10. Long-term debt (continued):

Future principal payments required on all long-term debt, without considering any renegotiation of the due dates, for the next five years are as follows:

2017	$ 3,784,512
2018	3,784,512
2019	3,784,512
2020	3,784,512
2021	3,784,512

The Authority is required to maintain at all times a ratio of earnings before interest and depreciation to interest expenses plus current portion of long term debt of 1.25:1 or better.

11. Pension plan liability:

The Authority sponsors and funds a registered pension plan (the "Plan") on behalf of its employees, which has both defined benefit and defined contribution components. Pensions payable from the defined benefit component are generally based on the member's average annual earnings near retirement and indexed annually at 100% of the consumer price index. The Authority accrues its obligation and related costs under the Plan, net from plan assets.

The last actuarial valuation for funding was prepared as at January 1, 2016 using a December 31 measurement date. The results of the valuation have been extrapolated to December 31, 2016. The next scheduled valuation for funding purposes will be completed as at January 1, 2017, final valuation results will not be available for this reporting period.

Significant actuarial assumptions used in measuring the Authority's accrued benefits are:

Discount rate for 2016 was 4.80% (2015 - 5.10%), rate of compensation increases for 2016 was 3.50% (2015 – 3.50%) and pre and post-retirement indexing for 2016 at 2.00% (2015 – 2.25%)
Information about the defined benefit component of the Authority's pension plan is as follows:

	2016	2015
Accrued benefit obligation:		
Balance, beginning of year	$ 9,411,000	$ 8,569,000
Current service cost	243,000	240,000
Interest cost	452,000	437,000
Employee contributions	47,000	51,000
Benefits paid	(196,000)	(200,000)
Actuarial loss due to changes in assumption	306,000	314,000
Balance, end of year	$ 10,263,000	$ 9,411,000

11. Pension plan liability (continued):

		2016		2015
Fair value of plan assets:				
Balance, beginning of year	$	10,738,000	$	9,269,000
Interest income		515,000		473,000
Actual return on plan assets (excluding interest income)		(287,000)		248,000
Employer contributions		770,000		897,000
Employee contributions		47,000		51,000
Benefits paid		(196,000)		(200,000)
Balance, end of year	$	11,587,000	$	10,738,000

Funding status of plan:		2016		2015
Accrued benefit obligation	$	10,263,000	$	9,411,000
Fair value of plan assets		11,587,000		10,738,000
Valuation allowance		(1,324,000)		(1,327,000)
Funding status	$	-	$	-

The Authority is required to make annual special payments over the next five years to cover pension solvency and ongoing funding liabilities. Special payments paid during 2016 total $526,875 (2015 - $610,652).

The Authority's policy is to invest fund assets in a balanced and diversified manner in accordance with the Pension Benefits Standards Act. The asset allocation benchmark and actual balanced fund asset allocations are:

	Benchmark	2016	2015
Equities	60.0%	63.7%	65.8%
Fixed income	37.0%	33.7%	29.9%
Cash/cash equivalents	3.0%	2.7%	4.4%

The total defined benefit pension expense recorded in salaries and benefits for the year ended December 31, 2016 was $801,139 (2015 - $896,776) and the total defined contribution expense recorded in salaries and benefits for the year ended December 31, 2016 was $181,428 (2015 - $176,593).

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2016

12. Retirement allowance liability:

When the Authority began operating the Regina International Airport on May 1, 1999, the Authority assumed obligations to pay employees retirement and termination allowances on a go forward basis. This agreement was in accordance with the collective agreement and as agreed to in subsequent collective agreement renewals and past practices. As per the collective agreement negotiated in 2014, the Authority discontinued the accumulation of service time as at December 31, 2014. The full retirement allowance provision based on December 31, 2014 rates of pay have been accrued. Retirement allowances must be fully drawn upon by employees no later than December 31, 2018. Interest will not accrue on any outstanding liability owing to employees after December 31, 2014. The retirement allowance is unfunded.

13. Government assistance:

The Authority has the following arrangements with the Canadian Air Transport Security Authority ("CATSA"):

i. Maintenance Contribution and Support Agreement (the "Support Agreement") under which CATSA agreed to pay to the Authority a contribution in respect to baggage handling systems maintenance support and handler support services. The contribution is equal to the lesser of the maximum amount defined in the Support Agreement or the amount of allocated costs incurred. The Support Agreement can be extended annually by mutual agreement. Contributions were received during 2016 in the amount of $96,250 (2015 - $96,250) and are recorded in services, supplies and administration in the statement of operations.

ii. In 2015, the Authority applied for and received approval for capital funding reimbursement up to $6,839,067 for the Hold Baggage Screening recapitalization project. As at December 31, 2016, the Authority has complied with all conditions and requirements for a reimbursement of $6,823,389. Accordingly this amount has been reflected in the financial statements as a deferred contribution. As at December 31, 2016, $4,507,210 has been received and $2,316,179 is included in accounts receivable.

iii. During the year, the Authority applied for and received approval for capital funding reimbursement of $150,000 for the Non-Passenger Screening Vehicle Checkpoint project. The Authority has complied with all conditions and requirements. As at December 31, 2016, this amount has been received and has been reflected in the financial statements as a deferred contribution.

The deferred contributions are recognized as income as the related assets are amortized.

	2016	2015
CATSA grants	$ 6,973,389	$ 2,154,207
Accumulated amortization	(72,234)	-
	$ 6,901,155	$ 2,154,207

14. Commitments:

a) Ground lease commitments:

The Authority pays an annual ground lease rental payment based on a sliding scale percentage of gross revenue to Transport Canada pursuant to the Ground Lease. The estimated operating lease payments over the next five years are:

2017	$ 1,143,000
2018	1,205,000
2019	1,267,000
2020	1,332,000
2021	1,397,000

b) Contracted and other operating leases:

The Authority is committed under contractual and operating lease agreements with the following estimated annual payments over the next five years:

2017	$ 1,696,000
2018	445,000
2019	101,000
2020	82,000
2021	40,000

During the year the Authority also entered into contractual agreements for certain capital projects. As at December 31, 2016 $3,296,000 (2015-$12,028,129) in work remains to be completed on these projects.

15. Airport improvement fee:

The Authority derives revenue from the AIF which is collected by the carriers pursuant to an agreement among various airports in Canada, the Air Transport Association of Canada ("ATAC") and air carriers serving airports that are signatories to the agreement (the "AIF Agreement"). Pursuant to the AIF agreement, signatories receive a 7% collection fee. AIF revenue is used to fund the costs of new airport infrastructure, as well as major improvements to existing facilities, at the Regina International Airport. The AIF as at December 31, 2016 was $20 (2015 - $20) for each originating passenger departing Regina International Airport. Intra-provincial flights are charged an AIF of $5 (2015 - $5) per enplaned passenger.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2016

15. Airport improvement fee (continued):

AIF funding activities on the year are outlined below:

	2016	2015
Earned revenue	$ 12,175,743	$ 12,086,890
Airline/ATAC handling and administration fees	(863,583)	(856,533)
Net AIF revenue earned	11,312,160	11,230,357
Eligible capital asset purchases	(27,099,522)	(34,249,757)
Eligible interest expense	(577,536)	(462,286)
Deficiency of AIF revenue over AIF expenditures	$ (16,364,898)	$ (23,481,686)

AIF funding activities on a cumulative basis since inception of the AIF are outlined below:

	2016	2015
Earned revenue	$ 124,008,647	$ 111,832,904
Airline/ATAC handling and administration fees	(8,820,575)	(7,956,992)
Net AIF revenue earned	115,188,072	103,875,912
Eligible capital asset purchases	(161,186,697)	(134,087,175)
Eligible interest expense	(1,959,937)	(1,382,401)
Deficiency of AIF revenue over AIF expenditures	$ (47,958,562)	$ (31,593,664)

16. Customer facility charge:

The Authority derives revenue from the CFC which is collected by the rental vehicle concession operators pursuant to the Rental Vehicle Concessionaires Agreements (the "RVCA"). Pursuant to the RVCA agreements, revenue is used to fund the capital investment, financing, operation and maintenance of the common use support facility at Regina International Airport. The CFC as at December 31, 2016 was $5.50 (2015 - $5.50) applied for each transaction day under the rental agreement.

17. Financial risk management:

a) *Risk management*

The Authority's Board is responsible for understanding the principal risks of the business in which the Authority is engaged, achieving a proper balance between risks incurred and the legislated purpose of the Authority and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Authority. There has been no change to the risk exposures from 2015.

17. Financial risk management (continued):

b) *Credit risk*

The Authority is subject to credit risk through its accounts receivable and accrued revenue, cash and GIC's, growth notes and savings account. The maximum credit risk to which it is exposed as at December 31, 2016 is limited to the fair value of the financial assets summarized as follows:

	2016	2015
Accounts receivable and accrued revenue	$ 3,012,281	$ 3,403,444
Capital project reimbursement receivable from the Federal Government	2,316,179	2,154,207
Cash	4,559,604	4,472,267
GIC's, growth notes and savings account	1,954,370	852,457
	$ 11,842,434	$ 10,882,375

Accounts receivable and accrued revenue consist primarily of airline fees and AIF owing from the carriers and concession and CFC fees owing from concession operators. The majority of concessions and CFC owing are settled within 15 days after the end of the month. The majority of airline fees are billed monthly and settled within 30 days thereafter. The majority of AIF owing is settled on a monthly basis on the first day of the subsequent month. Accounts receivable credit risk is reduced further by the Authority's requirement for letters of credit, customer credit evaluations and maintenance of an allowance for potential credit losses. Provisions under the Airport Transfer (Miscellaneous Matters) Act provide the Authority with the right to seize and detain aircraft until unpaid airline fees are paid further mitigating risk.

Credit risk in cash, GIC's, growth notes and savings account is managed through an investment policy that limits debt instruments to those of high credit quality.

There has been no change to the risk exposures from 2015.

c) *Liquidity risk*

The Authority manages its liquidity risk by maintaining adequate cash, investments and credit facilities by updating and reviewing multi-year cash flow projects on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority achieves mitigation of liquidity risk through funds generated by operations and ready access to sufficient long-term funds as well as lines of credit through a credit facility. The Authority has an investment policy in place providing for the ability to liquidate investments on short notice. The policy restricts investments to high grade securities. There has been no change to the risk exposures from 2015.

REGINA AIRPORT AUTHORITY INC.
Notes to the Financial Statements
Year ended December 31, 2016

17. Financial risk management (continued):

d) *Foreign currency risk*

The Authority's functional currency is the Canadian dollar, and major purchases and revenue receipts are transacted in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible. There has been no change to the risk exposures from 2015.

e) *Interest rate risk*

Interest rate risk arises because of fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash and investments which are maintained to provide liquidity while achieving a satisfactory return. The Authority is also exposed to interest rate risk associated with its long term debt which is managed by entering into interest rate swaps. There has been no change to the risk exposures from 2015.

f) *Market risk*

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates and equity prices. Market risk primarily impacts the value of common share investments.

Common shares represent 2.7% (2015 – 53.8%) of the fair value of the Authority's total investments. Individual holdings are diversified by industry type and corporate entity.

18. Financial Instruments:

(a) *Interest rate swap contracts*

Since 2015, the Authority has entered into five interest rate swap contracts, to reduce the interest rate risk of any potential increases in interest rate related to the Authority's long-term debt. The Authority applies hedge accounting to these contracts. The following contracts hedge 100% of the outstanding debt at a fixed interest rate and are projected to match the Authority's loan repayment term:

i. Declining balance interest rate swap contract effective January 2, 2015, with interest rate fixed at 2.58%. The initial contract balance had a notional amount of $12,964,058 which declines on a monthly basis by $108,034 until the end of the contract on January 2, 2025. As at December 31, 2016 the notional amount of the contract is $10,479,276 (2015 - $11,775,684).

18. Financial Instruments (continued):

ii. Declining balance interest rate swap contract effective January 2, 2015, with interest rate fixed at 2.58%. The initial contract balance had a notional amount of $6,938,388 which declines on a monthly basis by $25,794 until the end of the contract on January 2, 2025. As at December 31, 2016 the notional amount of the contract is $6,345,126 (2015 - $6,654,654).

iii. Declining balance interest rate swap contract effective December 15, 2015 with interest rate fixed at 2.14%. The initial contract balance was a notional amount of $5,000,000 which declines on a monthly basis by $16,670 until the end of the contract on December 15, 2025. As at December 31, 2016 the notional amount of the contract is $4,799,960 (2015 - $5,000,000).

iv. Declining balance interest rate swap contract effective November 7, 2016 with interest rate fixed at 1.62%. The initial contract balance was a notional amount of $11,717,344 which declines on a monthly basis by $65,828 until the end of the contract on November 7, 2025. As at December 31, 2016 the notional amount of the contract is $11,651,516 (2015 - $0).

v. Declining balance interest rate swap contract effective November 7, 2016 with interest rate fixed at 1.62%. The initial contract balance was a notional amount of $7,475,000 which declines on a monthly basis by $25,000 until the end of the contract on November 7, 2025. As at December 31, 2016 the notional amount of the contract is $7,450,000 (2015 - $0).

(b) *Interest Income and interest expense*

Interest and investment income received during 2016 was $103,877 (2015 -$121,473).

Interest capitalized and expensed during the year was as follows:

	2016	2015
Interest on long-term variable interest-bearing loans (note 10)	$ 726,270	$ 297,506
Stamping fee on long-term loans (note 10)	322,171	246,125
Payments made on settlement of interest rate swaps	383,601	324,023
Gross interest expense for the year	1,432,042	867,654
Less: borrowing costs capitalized	471,380	64,263
Interest expense for the year reflected in statement of operations	$ 960,662	$ 803,391

The capitalization rate used to determine the amount of interest eligible for capitalization is 2.2%.

19. Comparative information:

Certain comparative information has been reclassified to conform to the current year's presentation.

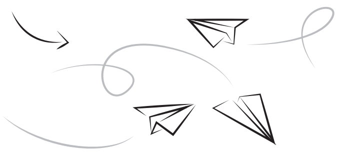
THERE IS NO BETTER TIME THAN NOW TO EXPLORE YOUR OWN BACKYARD

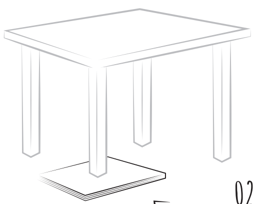
2017 marks Canada's 150th anniversary. What better way to celebrate than to get out and explore this beautiful country we call home.

collect experiences, not things

We love our planet and promote being environmentally responsible, here are 5 ways to reuse this report when you've finished reading it:

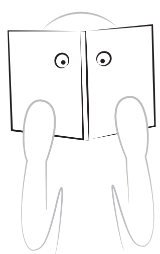
01.
Paper airplanes!

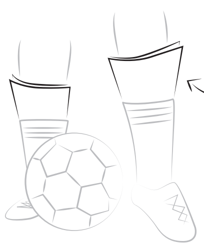




02.
Wobbly leg fix

03.
Super secret spying device





04.
Shin Pads

05.
Really cool Hat